
BILLS**SUPPLEMENT No. 2****24th March, 2021****BILLS SUPPLEMENT***to The Uganda Gazette No. 26, Volume CXIV, dated 24th March, 2021*

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Bill No. 5*Income Tax (Amendment) Bill***2021****THE INCOME TAX (AMENDMENT) BILL, 2021****MEMORANDUM**

The object of this Bill is to amend the Income Tax Act, Cap. 340 to redefine “beneficial owner”; to revise the tax rate applicable to individuals and companies for purposes of rental income; to provide for a formular for deductible expenses on rental income; to provide for incentives to manufacturers; to define the date for submitting applications for tax refund; to provide for the due date of the payment of income tax; to discontinue the concurrent deduction of initial allowance and deductions on depreciation of assets.

MATIA KASAIJA (MP)*Minister of Finance, Planning & Economic Development.*

THE INCOME TAX (AMENDMENT) BILL, 2021**ARRANGEMENT OF CLAUSES***Clauses*

1. Commencement
2. Amendment of Income Tax Act
3. Amendment of section 5 of principal Act
4. Amendment of section 21 of principal Act
5. Amendment of section 22 of principal Act
6. Amendment of section 27 of principal Act
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12. Amendment of section 113 of principal Act
13. Amendment of section 118B of principal Act
14. Amendment of First Schedule to principal Act
15. Amendment of Third Schedule to principal Act
16. Amendment of Sixth Schedule to principal Act

A Bill for an Act

ENTITLED

THE INCOME TAX (AMENDMENT) BILL, 2021

An Act to amend the Income Tax Act, Cap. 340 to redefine “beneficial owner”; to revise the tax rate applicable to individuals and companies for purposes of rental income; to provide for a formular for deductible expenses on rental income; to provide for incentives to manufacturers; to define the date for submitting applications for tax refund; to provide for the due date of the payment of income tax; to discontinue the concurrent deduction of initial allowance and deductions on depreciation of assets.

BE IT ENACTED by Parliament as follows:

1. Commencement

This Act shall come into force on 1st July, 2021.

2. Amendment of Income Tax Act

The Income Tax Act, Cap. 340, in this Act referred to as the principal Act, is amended in section 2—

- (a) by substituting for the definition of “beneficial owner” the following—

“(ea) “beneficial owner”—

- (a) means a natural person who has final ownership or control of another person or a natural person on whose behalf a transaction is conducted, and includes a natural person who exercises absolute control over a legal person and includes the following in descending order—
 - (i) in relation to a legal person, the natural person who either directly or indirectly holds at least ten percent shares or voting rights; and
 - (ii) the natural person exercising control of the legal person through other means including personal or financial superiority; and
 - (iii) where subparagraphs (i) or (ii) do not apply, the natural person who has power to make or influence a decision of the legal person;
- (b) in relation to trusts includes—
 - (i) the settlor;
 - (ii) the trustee;
 - (iii) the protector;
 - (iv) the beneficiaries; and
 - (v) any other natural person exercising absolute control of the trust;
- (c) in relation to other legal person similar to trusts, means a natural person holding a position equivalent any of the positions referred to in subparagraph (b);”

- (b) inserting immediately after the definition of “company” the following—

“(na) “consideration” includes, the total amount in money or of payment in kind, paid or payable for the supply of goods, services or sale of land by any person, directly or indirectly, including any duties, levies, fees, and charges—other than tax paid or payable on, or by reason of, the supply, reduced by any discounts or rebates allowed and accounted for at the time of the supply or sale;”

- (c) by substituting for subparagraph (B) of paragraph (bb) (i) the following—

“(B) a religious, charitable or educational institution whose object is not for profit;”.

3. Amendment of section 5 of principal Act

Section 5 of the principal Act is amended by inserting immediately after subsection (2) the following—

“(2a) For the purposes of subsection (2), a person who during a year of income earns rental income from more than one building shall account for the income and expenditure of each building separately and shall pay tax for each building separately.”

4. Amendment of section 21 of principal Act

Section 21 of the principal Act is amended in subsection (1)—

- (a) by repealing paragraph (z);
- (b) by inserting immediately after paragraph (af) (vi) the following—

“(vii) manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers.”;

(c) by inserting immediately after paragraph (ah) the following—

“(ai) the income of a manufacturer other than a manufacturer referred to in paragraph (af), for a period of ten years—

(i) in the case a new manufacturer, whose investment capital is, at least fifty million United States Dollars who, subject to availability uses at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill of the new manufacturer; or

(ii) in the case of an existing manufacturer, from the date on which the manufacturer makes an additional investment equivalent to fifty million United States Dollars for a period of ten years from the date of commencement of business who, subject to availability, uses at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill of the existing manufacturer;

(d) in subsection (1a), by substituting for the phrase “21 (1) (ae) and (af)” the phrase “21 (1) (ae), (af) and (ai)”;

- (e) in subsection (1d), by inserting immediately after the phrase “(1) (af)”, the phrase “and (ai)”.

5. Amendment of section 22 of principal Act

Section 22 of the principal Act is amended in subsection (1) by substituting for paragraph (c) the following—

- “(c) in case of rental income, sixty percent of the rental income as expenditure and losses incurred by a person in the production of such income;”.

6. Amendment of section 27 of principal Act

Section 27 of the principal Act is amended in subsection (2)—

- (a) by substituting for the word “four” the word “three”;
- (b) inserting immediately after subsection (15) the following—

“(16) Subject to subsection (4), a deduction for the depreciation of an asset that qualifies for initial allowance under section 27A (1) shall be deferred to the next year of income.”

7. Amendment of section 29 of principal Act

Section 29 of the principal Act is amended by inserting immediately after subsection (1) the following—

“(1a) Subject to subsection (1), a deduction for the depreciation of an industrial building that qualifies for initial allowance under section 27A (4) shall be deferred to the next year of income.”

8. Amendment of section 50 of principal Act

Section 50 of the principal Act is amended by inserting immediately after subsection (2), the following—

“(3) Where as a result of the application of this Act, a gain or loss on disposal of an asset is subject to tax being a gain or loss, the cost base of the asset is calculated on the basis that each item of cost or expense included in the cost base shall be determined according to the following formula—

CB x CPID

CPIA

where—

CB is the amount of an item of cost or expense incurred determined in accordance with section 52 (2);

CPID is the Consumer Price Index number published for the calendar month of sale; and

CPI A is the Consumer Price Index number published for the month immediately prior to the date on which the relevant item of cost or expense was incurred.

(4) Subsection (3) shall not apply to an asset that is sold within twelve months from the date of purchase.”

9. Amendment of section 54 of principal Act

Section 54 of the principal Act is amended—

(a) in subsection (1) by inserting immediately after paragraph (d) the following—

“(e) capital gains arising from the sale of investment interest of a registered venture capital fund if at least fifty percent of the proceeds on sale is reinvested within the year of income;” and

(b) by inserting immediately after subsection (1) the following—

“(1a) Notwithstanding subsection (1) (e), a registered venture capital fund shall be entitled to a non-recognition of a gain or loss equivalent to the percentage of reinvested proceeds.”

10. Amendment of section 88 of principal Act

Section 88 of the principal Act is amended by inserting immediately after subsection (3) the following—

“(3a) Where an international agreement provides for automatic exchange of information for tax purposes, the Commissioner shall facilitate the automatic exchange of information, as may be prescribed.

(3b) For the purposes of subsection (3a), the Minister may make regulations to provide for the automatic exchange of information for tax purposes.”

11. Insertion of section 93A in principal Act

The principal Act is amended by inserting immediately after section 93 the following—

“93A. Due date for payment of tax

The tax due under this Act shall be payable—

- (a) in the case of a taxpayer subject to section 20 of the Tax Procedure Code Act, 2014, on the due date for furnishing of the return of income to which the assessment relates; and
- (b) in any other case, within forty-five days from the date of service of the notice of assessment.”

12. Amendment of section 113 of principal Act

Section 113 of the principal Act is amended by inserting immediately after subsection (4) the following—

“(4a) A taxpayer shall be deemed to have submitted an application for refund referred to in subsection (4), on the date on which the application is received by the Commissioner.

(4b) Notwithstanding the provisions of subsection (4a), where the Commissioner requests for additional information, the application for refund shall be deemed to have been submitted on the date on which the additional information is received by the Commissioner.”

13. Amendment of section 118B of principal Act

Section 118B of the principal Act is amended by inserting immediately after subsection (2) the following—

“(2a) Subsection (2) shall not apply to a person who, the Commissioner is satisfied has regularly complied with the obligations imposed on that person under this Act.”

14. Amendment of First Schedule to principal Act

The First Schedule to the principal Act is amended by inserting the following in the appropriate alphabetical position—

(a) “African Export – Import Bank”; and

(b) “International Union for Conservation of Nature”.

15. Amendment of Third Schedule to principal Act

The Third Schedule to the principal Act is amended by substituting for Part VI the following—

“Part VI**Rate of Rental Tax**

The tax rate applicable to a person for purposes of section 6 (2) is 30% of the chargeable income.”;

16. Amendment of Sixth Schedule to principal Act

The Sixth Schedule to the principal Act is amended by substituting for Part I the following—

“Part I**Declining balance depreciation rates for depreciable assets**

Class	Assets included	Rate
1	Computers and data handling.	40%
2	Plant and machinery used in farming, manufacturing and mining.	30%
3	Automobiles; buses, minibuses, goods vehicles, construction and earth moving equipment, specialised trucks, tractors, trailers and trailer mounted containers, rail cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; specialised public utility plant, equipment and machinery; office furniture, fixtures and equipment; any depreciable asset not included in another class.”	20%